

Politico-Business Relationships in Sarawak's Timber Industry

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Introduction

Around 66.1 percent (8.22 million hectares) of the total land of Sarawak, a state of East Malaysia, is categorized as forest area, and by 1985 as much as 60 percent of the forest had been given away for timber concessions (Brown 2001). Those who have made huge profits from logging operations are a handful of top local politicians and local businessmen who succeeded in making close links with the politicians. This paper focuses on Tiong Hiew King, one of those successful businessmen and shows how political patronage is important for business success in the region, especially in the timber sector.

Background

Logging concessions have been issued by the state Minister of Resource Planning, a position which Chief Minister of Sarawak Taib Mahmud has held since 1985. Most concessions were granted to local politicians and their relatives, friends and political associates. The concession holders subsequently subcontracted logging work to local timber companies. As a result, local businessmen have to make good relations with the concession holders, that is, local politicians and their families, in order to gain subcontract work. Under such conditions, five powerful business groups have grown in the region. They are Samling, Rimbunan Hijau, KTS, WTK and Shin Yang (Brown 2001). The founders are all local Chinese, and these companies have grown nationally and even internationally today. How did they make their links with the politicians and become successful in business?

Rimbunan Hijau and its Political Partners

Rimbunan Hijau (RH) is the most multinational and the second largest of the five business groups¹. Tiong Hiew King is the founder and chairman of RH, and he was ranked the 8th richest person in Malaysia and the 746th richest in the world in 2006 (Forbes 2006a, 2006b). His personal net worth was said to be more than two billion ringgit (800 million US dollars) in 1995 (Malaysia Business 1995). How has he achieved such a great success?

Tiong Hiew King was born in 1935 to a poor family in Sibu, a Chinese dominant town in Sarawak. He belongs to the second generation of the Foochows who migrated to the region in the early 1900s. After graduating from a local high school, Tiong took up a correspondence course with a Chinese university and also began his career at his uncle's timber company, the WTK group. In 1975, Tiong set up his own company, Rimbunan Hijau, along with his brothers. RH got its start as a timber contractor in Sibu and now operates as far away as New Zealand, central Africa, Papua New Guinea, Vanuatu and Russia. Other than timber exports and timber processing, his business has also expanded to cover finance, media, IT, mining,

¹ According to Brown (2001), the biggest company is Samling in terms of the total area of concessions in Sarawak.

aquaculture, oil palm plantation, trading, and property development (Malaysia Business 1995, China Daily 2005).

Tiong experienced political hardships during his early business days. In the early 1970s, he was jailed by Sarawak's Chief Minister at the time, Abdul Rahman Yakub, on a charge of being a communist. After being released, Tiong tried to creep into Rahman's favor, even making a special trip to Taiwan to serve as his golf umbrella-holder. Rahman however continued to abuse his relationship with Tiong. For example, Rahman suspended Tiong's federal senatorship, despite it being promised by the Secretary General of the Sarawak United People's Party (SUPP), Wong Soon Kai, in exchange for a substantial bribe (Brown 2001). The SUPP is the Chinese-based party of Sarawak's coalition government and Wong is a Sibu-born Foochow politician (Brown 2001).

In 1981, Rahman Yakub stepped down and his nephew Taib Mahmud assumed the position of Chief Minister and subsequently also Minister of Resource Planning. Tiong moved quickly to build up new political connections not only at the local level but the national level this time. Top national and local politicians or their family members became board members in Tiong's listed company Jaya Tiasa. These include Abdul Rahman Abdul Hamid (former federal Chief of Defense Force) and Abu Talib bin Othman (former federal Attorney-General). RH also owns around a 40% share in Limbang Trading, the other share of which is owned by a senior local politician, James Wong Kim Min, who is former Minister of Environment and Tourism in Sarawak and owns huge areas of logging concession in the eastern part of the region (Brown 2001, Malaysia Business 1995, Forest Peoples Programme 1994, Malaysia Today 2005)

Under the Taib administration, Tiong's political ally Wong Soon Kai became the SUPP president, appointing him as Deputy Chief Minister in 1994. Tiong's younger brother Tiong Thai King was then appointed as Senator in 1995. In order to make further political connections at the national level, Tiong also established an optical fiber company Opcom in Kuala Lumpur in partnership with Mukhriz Mahathir, a son of the Prime Minister at the time (Brown 2001).

Tiong's Failure in Retaining Political Connections

Opcom, however, failed to make profits and the Tiong family resigned from the company board in 1994. After the Tions' withdrawal from the partnership, Mukhriz Mahathir brought a lawsuit against Tiong. Tiong tried to arrange a meeting with Prime Minister with the help of Wong Soon Kai, an old medical school classmate of Mahathir. The Prime Minister, however, refused to meet with Tiong. It is also said that federal Inland Revenue Service agents were sent to raid the RH headquarters (Ibid). Tiong's attempt to make a strong connection with the top national politician then broke down.

Tiong's political links have further withered away since Wong Soon Kai stepped down as the SUPP president after his defeat in the 1996 election. A Miri-born doctor, George Chan, then assumed the party leadership. Today, George Chan is Deputy Chief Minister of Sarawak, and his daughter married a son of the

Chief Minister. It is likely that this was the time when RH was overtaken by Samling, which has close links with the top local politicians including George Chan. Furthermore, another local Chinese businessman, Ting Pek Khiing, has also gained economic strength rapidly since early 1990s. He went into not only the timber industry but also non-timber businesses such as chemical and construction companies in partnerships with powerful politicians at both the national and local levels, including former federal Minister of Finance Daim Zaunuddin. Ting is also said to have obtained the trust of then Prime Minister Mahathir by his very quick completion of the five-star hotel construction project in Langkawi. Moreover, Ting once competed against Sarawak's Chief Minister over a gigantic dam project, but he was able to gain control of the project through ties to these top national politicians (Brown 2001).

While being upstaged by newly emerging business groups and individuals in Sarawak, RH became active and influential in the timber industry in other countries, particularly Russia and Papua New Guinea. The company has been operating in the Russian Far East since 1997 when it acquired the rights to harvest 305,000 hectares of State forest (Greenpeace 2004). In PNG, RH is said to have made close connections with national and local politicians with bribery, including former Deputy Prime Minister, Minister for Internal Security, a provincial Governor and two Parliament members, and as a result succeeded in gaining control of close to 50 percent of PNG's log exports (Greenpeace 2006). Although RH's international operations have been accused of deforestation and illegal logging by Greenpeace and other international NGO groups, it is likely that Tiong can more easily conduct legal and illegal timber business in collusion with politicians in those "weak states" than in Malaysia where his political connections have become weak at both national and local levels.

Conclusion

Through the story of Tiong Hiew King, timber businessmen in Sarawak can be characterized by the following four features. Firstly, Sarawak's forest concession has been controlled by the top local politician, and therefore local Chinese businessmen have depended totally on political patronage for their business success. Secondly, such politico-business connections are likely established along ethnic and regional lines at the beginning but are not necessarily divided along these lines at end. Tiong's closest political ally is Wong Soon Kai, who is a Foochow and from Sibu the same as Tiong. He started to make his political links with Wong before other politicians of different ethnic groups. Thirdly, local businessmen who have links with both national and local politicians are likely more competitive on regional business matters than those having links only with local politicians. As described in Ting Pek Khiing's case, he was able to win the competition with Sarawak's Chief Minister over the dam construction project through his close connection with top national politicians. Finally, logging operations by Sarawak's businessmen have recently expanded internationally. Some of them have become notorious as actors in illegal logging and environmental problems, especially in PNG rather than in Sarawak. Collusion between the businessmen and politicians makes such problems difficult to solve.

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